

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L SECTION 01 OF 05 USNATO 03793

E.O. 11652: GDS
TAGS: MARR, NATO, AORG
SUBJECT: REQUEST FOR INCREASE IN REPRESENTATION
ALLOWANCES OF NATO UNCLASSIFIED STAFF

SUMMARY: SYG LUNS HAS REQUESTED NATIONAL CONSIDERATION
FOR AN INCREASE IN REPRESENTATION ALLOWANCES FOR ALL
NATO UNCLASSIFIED EMPLOYEES. NATO INTERNATIONAL STAFF
(IS) PROPOSED THAT THE INCREASE SHOULD BE 75 PCT OF THE
INCREASE IN COST-OF-LIVING INDEX SINCE LAST ADJUSTMENT OF
ALLOWANCES. ALL DELEGATIONS APPEAR RELUCTANT TO GRANT
SUCH A LARGE INCREASE. ACTION REQUESTED: GUIDANCE BY
25 APRIL 1978. END SUMMARY.

1. IN MID-JANUARY 1978, SYG LUNS REQUESTED THAT COUNCIL
DOYEN (ITALIAN PERMREP CATALANO) ARRANGE FOR MEETINGS
OF CIVIL AND MILITARY BUDGET REPRESENTATIVES TO EXAMINE
HIS REQUEST FOR AN INCREASE IN THE REPRESENTATION
ALLOWANCES OF UNCLASSIFIED NATO STAFF. HE STATED THAT
THE ALLOWANCES HAD LAST BEEN INCREASED IN JANUARY 1973
AND THAT INDICES IN NATO COUNTRIES HAD SINCE INCREASED
BY A RANGE OF 31.8 (FRG) TO 110 PCT (ITALY).

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2. BUDGET OFFICERS HAVE MET TWICE TO STUDY THE
PROPOSAL OF THE NATO DIRECTOR OF MANAGEMENT AND TO
EXCHANGE PRELIMINARY UNINSTRUCTED VIEWS. THE NEXT
MEETING WILL BE APRIL 28. THE CHAIRMAN (DE LUCA, ITALY)
HAS ASKED MEMBERS TO PRESENT AT LEAST PRELIMINARY
NATIONAL POSITIONS.

3. THE NATO IS PROPOSE THAT THE REPRESENTATION ALLOWANCE BE RETROACTIVELY ADJUSTED TO JULY 1, 1977, AND BE INCREASED BY 75 PCT OF THE COST-OF-LIVING INDEX RISE BETWEEN JANUARY 1, 1973-1977, OF THE COUNTRIES IN WHICH THE EMPLOYEES SERVE. IN ADDITION, THE PROPOSAL RECOMMENDS THAT THE RESULTING CALCULATION FOR THE ALLOWANCE OF AN ASSISTANT SECRETARY GENERAL (ASYG) WOULD FORM THE BASIS FOR ADJUSTING THE ALLOWANCES OF OFFICERS ABOVE OR BELOW THAT RANK. USING THE ASYG'S RATE AT 100 PCT, THE TABLE BELOW COMPARES THE CURRENT AND PROPOSED REPRESENTATION ALLOWANCES PERCENTAGES:

POSITION	PROPOSED PERCENTAGE	CURRENT PERCENTAGE
SECRETARY GENERAL	490.6	490.6 (NEW SYSTEM)
DEPUTY SECRETARY GENERAL	218.5	218.5
ASSISTANT SECRETARIES GENERAL	100	100
DIRECTOR, COUNCIL OPERATIONS	60	15.7
DIRECTOR GENERAL, STC	60	43.6
DIRECTOR, SACLANTCEN	60	40.1
DIRECTOR GENERAL, NICSMA	100	100
DIRECTOR GENERAL, NAMSA	100	117.8
DIRECTOR GENERAL, NAMMA	100	104.7
DIRECTOR GENERAL, CEOA	100	72.5

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DIRECTOR OF CABINET	40	37.7
DIRECTOR OF INFORMATION	40	37.7
HEAD OF PRESS SERVICE	40	37.7

(SEE TABULAR DOLLAR TABLE, PARA 10.)

4. PRIOR TO MAY 1973, EMOLUMENTS PAID THE UNCLASSIFIED STAFF WERE INDIVIDUALLY NEGOTIATED SALARIES, PLUS LUMP-SUM UNVOUCHERED REPRESENTATION ALLOWANCES, WHICH WERE TO SUBSTITUTE FOR SUCH ALLOWANCES AS EXPATRIATION, FAMILY, HOUSING AND HOSPITALITY.

5. AFTER LENGTHY DISCUSSIONS, THIS SYSTEM WAS CHANGED IN MAY 1973 SO THAT THE SALARY OF AN UNCLASSIFIED EMPLOYEE WAS BASED ON THE HIGHEST SALARY PAID TO A NON-RESIDENT A-GRADE EMPLOYEE, OR A-7, STEP 6; SPECIFIC ALLOWANCES WERE GRANTED FOR THE INDIVIDUAL SITUATION (AS FOR THE CLASSIFIED EMPLOYEES) AND A SMALLER, UNVOUCHERED REPRESENTATION ALLOWANCE GRANTED TO COVER BOTH HOSPITALITY AND "REPRESENTATIONAL STANDARD OF LIVING." THESE NEW EMOLUMENTS, EXCEPT REPRESENTATION, WERE TO BE ADJUSTED WHEN THE SALARIES OF THE CLASSIFIED

EMPLOYEES RECEIVED A COST-OF-LIVING ADJUSTMENT.

6. THE REPRESENTATION ALLOWANCES, HOWEVER, WERE FIXED AND COULD ONLY BE MODIFIED BY A SPECIFIC COUNCIL DECISION. TO PROTECT VESTED INTERESTS, THIS NEW SYSTEM WAS TO BE APPLIED ONLY TO NEW EMPLOYEES AND TO THOSE EMPLOYEES WHO CHOSE TO CONVERT FROM THE OLD SYSTEM. AT THIS TIME, ONLY SYG LUNS AND AIR MARSHAL MCBRIEN, WHO WILL RETIRE THIS YEAR, ARE UNDER THE OLD SYSTEM.

7. IN DERIVING THE NEW SYSTEM FROM THE OLD, TOTAL EMOLUMENTS WERE MAINTAINED BY REDUCING BASIC SALARIES AND THE REPRESENTATION ALLOWANCES TO PROVIDE THE FUNDS

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C O N F I D E N T I A L SECTION 02 OF 05 USNATO 03793

FOR THE AUTOMATICALLY ADJUSTED PERSONAL SITUATION ALLOWANCES (BASED ON EXPATRIATE, MARRIED OFFICIAL WITH TWO DEPENDENT CHILDREN). THE COUNCIL DECIDED TO SET THE BASIC SALARY DIFFERENTIAL FOR THE UNCLASSIFIED EMPLOYEE IN FIXED PROPORTION TO THE TOP SALARY OF THE A-7 GRADE. THE FOLLOWING TABLE HAS BEEN PREPARED TO SHOW THE ANNUAL SALARY RATES DERIVED FROM THIS SYSTEM, PLUS THE EXPATRIATION (20 PCT) AND FAMILY (6 PCT) ALLOWANCES TO WHICH EACH EMPLOYEE IS ENTITLED, BUT EXCLUDING THE CHILDREN'S AND REPRESENTATION ALLOWANCES:

-	ANNUAL SALARY & EXPAT/FAM	ANNUAL
-	ALLOWANCES	TOTAL

SYG (OLD)	\$74,447	- 0 -	\$74,447
SYG (NEW) 30 PCT	71,809	\$18,670	90,479

DSYG 15 PCT 63,528 16,517 80,045

ASYG 6 PCT 58,552 15,224 73,776

DG,NICSMA 6 PCT 58,552 15,224 73,776

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GM,NAMMA

- (FRG) 6 PCT 58,459 15,199 73,658

GM,CEOA

- (FR) 4 PCT 49,113 12,769 61,882

GM,NAMSA 2 PCT 56,340 14,648 70,988

DIR,

COUNCIL

OPS 2 PCT 56,340 14,648 70,988

DIR,

SACLANTCEN

- (IT) 2 PCT 33,519 8,715 42,234

DIR, STC

- (NETH) 2 PCT 54,676 14,216 68,892

(WE HAVE BEEN UNABLE TO VERIFY WITH THE IS THE ACCURACY OF THESE AMOUNTS, WHICH WERE CALCULATED ON THE BASIS OF THE REVISED JULY 1, 1977, SALARY SCALES PUBLISHED BY THE COORDINATED ORGANIZATIONS.)

SINCE THERE WAS NO FIXED COMPARABILITY BETWEEN THE OLD, NEGOTIATED SALARIES, THE CALCULATIONS LEADING TO THE NEW, MORE AUTOMATIC SYSTEM OF ADJUSTMENT INEVITABLY RESULTED IN A LACK OF COMPARABILITY BETWEEN THE NEW REPRESENTATIONAL ALLOWANCES, AS ILLUSTRATED IN PARA 3, ABOVE, AND PARA 10 BELOW. IT IS THAT "INEQUITY" WHICH THE INTERNATIONAL STAFF IS ATTEMPTING TO CORRECT WITH THE SUGGESTION THAT ALL REPRESENTATION ALLOWANCES BE SET AT A FIXED PROPORTION OF ASYG ALLOWANCES. THE SUGGESTION

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IS, AS USUAL, FOR ROUNDING OFF TOWARD THE TOP WITH SEVEN OFFICIALS RECEIVING A COMPARATIVE ADVANTAGE (INCREASE) AND TWO (DIRECTOR GENERALS,NAMSA AND NAMMA)

A DISADVANTAGE (DECREASE).

8. DURING DISCUSSIONS OF THE PROPOSED MODIFICATIONS, MOST BUDGET OFFICERS INDICATED GENERAL LACK OF SYMPATHY IN THEIR CAPITALS, WHERE REPRESENTATIONAL ALLOWANCES HAVE BEEN LIMITED SEVERELY, TO ANY INDEXING OF SUCH ALLOWANCES TO COST OF LIVING. ALL INDICATED THAT RETROACTIVITY COULD NOT, REPEAT NOT, BE GRANTED. SEVERAL OF THE PARTICIPANTS, WHO ARE MEMBERS OF THE MILITARY BUDGET COMMITTEE, NOTED THAT MAJOR NATO MILITARY COMMANDERS' ALLOWANCES HAVE BEEN INCREASED IN 1978 BY ONLY 15 PCT AND THAT THE NEW LEVELS ARE TO BE NON-REVISABLE OVER A THREE-YEAR PERIOD.

9. THE CANADIAN REP (ALARIE) ADVANCED A PERSONAL PROPOSAL THAT ANY INCREASE IN THE ALLOWANCES BE LIMITED TO ONLY HALF OF THAT SUGGESTED BY THE INTERNATIONAL STAFF (I. E., HALF OF THE 44 PCT INCREASE FOR THOSE STATIONED IN BELGIUM), AND THAT FOR THE THREE CLASSIFIED DIRECTORS THE TOTAL BE VOUCHERED. SUCH A SCHEME WOULD BE FROZEN FOR THREE YEARS AT THE END OF WHICH BUDGET OFFICERS WOULD RE-EXAMINE THE ALLOWANCE SITUATION WITH A VIEW TOWARD VOUCHERING ALL REPRESENTATION FUNDS AT WHATEVER NEW LEVEL SHOULD THEN BE AGREED. ALARIE'S SUPERVISOR HAS SINCE INDICATED THAT HE WILL RECOMMEND ONLY ABOUT ONE-THIRD OF THE INTERNATIONAL STAFF PROPOSAL, MORE IN LINE WITH THE AFOREMENTIONED MBC ACTION. ALL REPS AGREED TO PRESENT ALARIE'S PROPOSAL TO THEIR AUTHORITIES IN AN ATTEMPT TO HAVE PRELIMINARY NATIONAL VIEWS FOR THE NEXT MEETING ON 28 APRIL 1978.

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C O N F I D E N T I A L SECTION 03 OF 05 USNATO 03793

10. THE THREE PROPOSALS CONCURRENTLY UNDER CONSIDERATION
ARE SHOWN BELOW. ALL ALLOWANCES, EXCEPT THOSE OF THE
SYG, ARE CALCULATED UNDER THE NEW (1973) SYSTEM.

- ANNUAL DOLLAR EQUIVALENT IS SHOWN

- CURRENT ALLOWANCE IS PROPOSAL

SYG (OLD) (A)	\$35,802.41	\$51,452.41
- (NEW) (B)	24,948.83	35,853.83
DSYG	11,112.59	15,696.59
ASYG (4)	5,085.73	7,308.73
COUNCIL OPS	796.89	4,364.89
CABINET DIR	1,916.01	2,916.01
INFO DIR	1,916.01	2,916.01
HEAD, PRESS SVC	1,916.01	2,916.01
DIR GEN, NICSMA	5,085.73	7,308.73
DIR GEN, NAMSA	5,991.55	7,316.55
DIR GEN, NAMMA	6,323.06	7,341.06
DIR GEN, CEOA	3,266.67	6,364.67
STC	2,373.33	4,273.33
SACLANTCEN	1,469.59	2,629.59

TOTALS (A) \$98,312.77 \$144,730.77

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- PLUS47 PCT
- (B) \$87,459.19 \$129,132.19
- PLUS48 PCT
- 1/2 1/3

SYG (OLD) (A)	\$43,227.41	\$40,618.41
- (NEW) (B)	30,401.83	28,583.83
DSYG	13,541.59	12,731.59
ASYG (4)	6,197.73	5,826.73
COUNCIL OPS	2,580.89	1,994.89
CABINET DIR	2,416.01	2,249.01
INFO DIR	2,416.01	2,249.01
HEAD, PRESS	2,416.01	2,249.01
DIR GEN, NICSMA	6,197.73	5,826.73
DIR GEN, NAMSA	6,654.55	6,433.55
DIR GEN, NAMMA	6,832.06	6,662.06
DIR GEN, CEOA	4,815.67	4,299.67
STC	3,323.33	3,007.33
SACLANTCEN	2,049.59	1,856.59

TOTALS (A) \$121,261.77 \$113,484.77

- PLUS23 PCT PLUS15 PCT
- (B) \$108,436.19 \$101,450.19
- PLUS24 PCT PLUS16 PCT

ASYG FIGURE WAS MULTIPLIED BY FOUR FOR TOTAL.

11. ALTHOUGH THE MISSION HAD BEEN INSTRUCTED TO KEEP A LOW PROFILE DURING THE DISCUSSIONS HELD PRIOR TO THE 1973 DECISION, WE BELIEVE THE SITUATION HAS CHANGED SUFFICIENTLY SO THAT IT MIGHT BE WISE FOR THE US TO MAKE SOME PROPOSALS.

12. THE MISSION SUGGESTS FOR THE DEPARTMENT'S
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CONSIDERATION THE FOLLOWING:

A. ALLOWANCE ADJUSTMENT BE EFFECTIVE AT TIME OF AGREEMENT OR, AT EARLIEST, ON JANUARY 1, 1978, BUT NOT RETROACTIVE TO JULY 1, 1977. (FYI: WE BELIEVE THAT SIMPLY BECAUSE THE SYG DID NOT SEE FIT, FOR WHATEVER REASONS, TO REQUEST INCREASES AS THE COL/INFLATIONARY TREND REDUCED HIS AND HIS PRINCIPAL STAFF'S ACTUAL SPENDING POWER FROM 1974 THROUGH 1977, THIS ITSELF IS NO REASON TO GRANT A RETROACTIVE ADJUSTMENT OF THE REQUESTED MAGNITUDE, SO LONG AS CY 1978 INCREASES ARE JUST. END FYI.)

B. THE SECOND CANADIAN PROPOSAL FOR ONE-THIRD OF THE INCREASE PROPOSED BY THE IS (OR ABOUT 15 PCT RISE) WOULD APPEAR TO BE REASONABLE ITN LIGHT OF MBC ACTION ON SIMILAR REQUESTS. TO ARRIVE AT SUCH A SOLUTION, WE MAY NEED A RATHER LESS LIBERAL PROPOSAL TO SERVE AS A BASIS FOR COMPROMISE. WE SUGGEST A US PROPOSAL FOR ONE-QUARTER OF THE IS PROPOSAL (OR 11 PCT RISE) AS A STALKING HORSE TOWARD THIS END.
THE FOLLOWING TABLE ILLUSTRATES THE COMPARATIVE DOLLAR EQUIVALENT OF ONE QUARTER OF SUCH A PROPOSAL:

SYG (OLD)	\$39,715
- (NEW)	27,675
DSYG	12,327
ASYG (4)	5,641
COUNCIL OPS	1,689

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C O N F I D E N T I A L SECTION 04 OF 05 USNATO 03793

CABINET DIRECTOR 2,166

INFO DIRECTOR 2,166

PRESS SVC 2,166

NICSMA 5,641

NAMSA 6,323

NAMMA 6,578

CEOA 4,041

STC 2,848

SACLANTCEN 1,760

- (W/OLD) TOTAL \$109,984 (12 PCT)

- (W/NEW) TOTAL 97,944 (12 PCT)

ASYG FIGURE WAS MULTIPLIED BY FOUR FOR THE TOTAL.

SEE TABLE IN PARA 10 FOR COMPARISON WITH CURRENT
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ALLOWANCE.

C. US PROPOSE THAT ALL OFFICERS SHOULD BE REQUIRED TO
SUBMIT VOUCHERS TO SUPPORT THEIR USE AND REIMBURSEMENT
NEED OF THE ALLOWANCE. (THIS WOULD ENTAIL A LONG, HARD
FIGHT, PARTICULARLY WITH THE SYG, AS HE CONSIDERS REP
FUNDS AS VESTED RIGHTS OR ANOTHER PART OF TOTAL SALARY.)

WE BELIEVE THIS MUST BE CHANGED, EVEN THOUGH THE REQUIREMENT FOR VOUCHERING MIGHT INSPIRE THE SYG TO TRANSFER TO THE NEW SYSTEM WHICH, WE NOTE, WOULD INCREASE HIS TOTAL EMOLUMENTS.

D. IN ADDITION, INTERNALLY, THE MISSION SHOULD BE AUTHORIZED BY THE DEPARTMENT OF DEFENSE TO WITHDRAW THE \$3,000 NOW GRANTED TO ASYG FOR DEFENSE SUPPORT WHEN OCCUPIED BY AN AMERICAN (WALSH) WHO RECEIVES \$5,085 FROM NATO IS FOR REPRESENTATIONAL PURPOSES. (SHOULD INCUMBENT'S TERMS OF ACCEPTANCE OF POST HAVE BEEN BASED ON PROVISION OF BOTH SETS OF FUNDS, WE BELIEVE THAT AN AD HOC SOLUTION DURING HIS ASSIGNMENT WOULD BE TO ALLOCATE DEFENSE FUNDS TO DEFENSE ADVISOR WITH STIPULATION THEY COULD BE USED BY ASYG WHEN JUSTIFIED.)

E. REALIGNMENT OF PERCENTAGES SHOWN IN PARA 3, ABOVE, HAS NOT BEEN DISCUSSED. NO JUSTIFICATION HAS BEEN GIVEN FOR THE INCREASES SHOWN, OTHER THAN A DESIRE TO HAVE A MORE CONSISTENT SYSTEM, USING THE ASYG'S ALLOWANCE AS THE BASIS.

- FOR DISCUSSION, WE WOULD SEE NO OBJECTION TO STANDARDIZATION AMONG OFFICIALS OF ROUGHLY EQUIVALENT RANK IF SUCH DOES NOT RESULT IN INCREASING ALLOWANCES. THUS, THE THREE CLASSIFIED DIRECTORS (NOW AT 37.7 PCT OF ASYG ALLOWANCES) COULD GO TO EITHER 35 PCT OR 40 PCT

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WITHOUT MAJOR EFFECT. THE UNCLASSIFIED DIRECTORS (NOW AT 15.7 PCT TO 117.7 PCT) MIGHT GO TO 70 PCT AND ROUGHLY RETAIN THE PRESENT AVERAGE, ALTHOUGH THAT MIGHT CAUSE A PROBLEM OF VESTED INTERESTS. THE DSYG PERCENTAGE SHOULD BE ROUNDED OFF FROM 218.5 PCT TO 200 PCT. THIS LEAVES THE SYG AT 490.6 PCT, WHICH COULD BE ROUNDED OFF TO 500 PCT OR, PERHAPS, FROZEN AT CURRENT ALLOWANCES UNTIL HE, OR HIS SUCCESSOR, GOES TO THE NEW SYSTEM. IF WE ARE FACED WITH THE VESTED RIGHTS PROBLEM, CERTAIN OFFICIALS COULD BE PERMITTED TO RETAIN PRESENT ALLOWANCES (WITHOUT THE NEW ADJUSTMENT) UNTIL THEIR INTERESTS DICTATE A SWITCH TO THE PRESENT PROPOSAL.

F. THIS NEGOTIATION MAY PROVIDE A USEFUL OPENING TO BROACH THE SUBJECT OF ANNUAL PUBLICATION OF THE TOTAL EMOLUMENTS OF NATO'S UNCLASSIFIED EMPLOYEES AS IS THE UNITED NATIONS' PRACTICE.

13. COMMENT: CONSIDERATIONS WHICH WILL ENTER INTO AN EVENTUAL DECISION ON THIS MATTER ARE:

- ON THE ONE HAND, EUROPEANS HAVE TRADITIONALLY BEEN MORE INCLINED TO ACCEPT SUCH PERQUISITES THAN HAS THE US.
- THUS, THE NATO UNCLASSIFIED EMPLOYEES CONSIDER THAT THE REPRESENTATION ALLOWANCES FORM PART OF THEIR GROSS SALARIES TO BE USED AS THEY SEE FIT.
- EUROPEANS LED THE MOVE IN 1971 TO BRING NATO'S UNCLASSIFIED STAFF EMOLUMENTS INTO EQUIVALENCE WITH

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SALARY AND ALLOWANCE SYSTEM APPLYING TO CLASSIFIED POSITIONS, THUS LEAVING REDUCED REPRESENTATIONAL ALLOWANCES WHICH COULD ONLY BE JUSTIFIED ON THE BASIS OF HOSPITALITY REQUIREMENTS.

- IT SHOULD BE NOTED THAT THE APPARENT ENORMOUS INCREASE IN INTERNATIONAL STAFF SALARIES IN EUROPE WHEN EXPRESSED IN US DOLLARS STEMS, AT LEAST IN PART, FROM THE DROP IN DOLLAR EXCHANGE RATES AGAINST THE BELGIAN FRANC. FOR INSTANCE, IF THE ABOVE TABLES HAD BEEN CALCULATED EVEN AT 1976 EXCHANGE RATES (BF 42\$1), EMOLUMENTS WOULD HAVE BEEN 25 PCT LESS THAN THOSE SHOWN.
- ON THE OTHER HAND, WITH GROWING INFLATION IN THE EARLY 1970'S AND NATO'S PRACTICE OF GRANTING FULL COST-OF-LIVING SALARY INCREASES, EUROPEAN NATIONAL HIGH LEVEL STAFF EMOLUMENTS RAPIDLY LOST GROUND TO STAFF OF INTERNATIONAL ORGANIZATIONS.
- EUROPEANS HAVE NOT BEEN INCREASING HOSPITALITY

ALLOWANCES FOR THEIR OWN STAFF AT ANYTHING CLOSE TO
THE RATE OF INFLATION.

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- EUROPEANS NOW SEE THE NEED TO CONTROL
REPRESENTATIONAL FUNDS AS EVIDENCED BY BELGIAN, UK
AND FRG SUPPORT FOR THE TIMID CANADIAN MOVE TO
VOUCHER SOME OF THE ALLOWANCES NOW AND THE REST IN
THREE YEARS.

- OUR CONCERN WITH INFLATIONARY TRENDS IN
INTERNATIONAL PAY SCALES IS SHARED BY SUCH STRONG
CURRENCY NATIONS AS BELGIUM, NETHERLANDS AND THE FRG.

14. ACTION REQUESTED: DEPARTMENT'S ADVICE/CONCURRENCE
OR ALTERNATIVE RECOMMENDATIONS REQUESTED PRIOR TO
APRIL 25.BENNETT

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